



## MEMORANDUM

**TO:** Mayor and Council Members  
Toby Hammett Futrell, City Manager

**FROM:** Roger Duncan, Interim General Manager *MLM*  
Austin Energy

**DATE:** February 8, 2007

**SUBJECT:** Recommendation Regarding the City of Austin's Participation in the Proposed New Nuclear Generating Units at the South Texas Project

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Last December, NRG Energy, Inc. (NRG), one of the City's two partners in the South Texas Project (STP), proposed the addition of two new nuclear generating units at the site. NRG has proposed the construction and operation of two 1,350 megawatt, Advanced Boiling Water Reactor units, at an estimated construction-only cost<sup>1</sup> of \$6 billion and total permitting and construction time of 7 to 8 years. The new units would be completed and enter commercial operations in 2015 and 2016, respectively. The City has the right to participate in the ownership of the proposed new units, up to its existing 16 percent share of the STP Project. This option could provide the City with approximately 432 megawatts of additional nuclear generating capacity at a construction-only cost of \$962 million (NRG's estimate).

In order to evaluate the City's ownership option, Austin Energy hired the consulting firm of Worley Parsons to assist Austin Energy in evaluating the cost, schedule and technical information provided by NRG for the proposed expansion. Worley Parsons has been engaged in all phases of nuclear power plant permitting, design, construction, and operation for over 40 years and is well qualified to provide this assistance.

Austin Energy has completed its review and has determined that the projected cost of the new units and their permitting and construction schedules are overly optimistic and include an unacceptable degree of uncertainty and risk for a commitment of this size. The additional cost to construct the project could be in excess of \$1 billion and take more than two years longer than estimated by NRG. Austin Energy believes it would be imprudent for the City to take on such risk.

Therefore, based on the information provided by NRG, Austin Energy recommends that the City not participate in the ownership of the proposed new nuclear generating units at the South Texas Project.

Please let me know if you have any questions. I can be reached at 322-6157.

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<sup>1</sup> Additional costs will include site preparation, Nuclear Regulatory Commission license application and processing, initial fuel load, transmission interconnection upgrades, taxes and import duties, construction insurance, commissioning service, STP plant staffing, financing and permits and license costs.